Statutory Accounting Principles (E) Working Group

**Maintenance Agenda Submission Form**

**Form A**

## **Issue: *ASU 2015-10, Technical Corrections & Improvements***

**Check (applicable entity):**

P/C Life Health

Modification of existing SSAP

New Issue or SSAP

Interpretation

Description of Issue:

FASB issued *ASU 2015-10, Technical Corrections & Improvements* to update various FASB Accounting Standards Codification for minor corrections that were provided by stakeholders. FASB added a standing project to address feedback received from stakeholders on Codification and to make other incremental improvements to U.S. GAAP. This perpetual project will update Codification for technical corrections, clarifications and improvements.

Existing Authoritative Literature:

The table starting on page 2 summarizes the updates in this ASU, as well as defines the recommended actions for statutory accounting.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None

**Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:** None

**Convergence with International Financial Reporting Standards (IFRS):** N/A

Staff Recommendation:

NAIC Staff recommends that the Working Group move this item to the active listing, categorized as nonsubstantive and expose revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2015-10, Technical Corrections & Improvements* as not applicable for statutory accounting.

Staff Review Completed by:

Jim Pinegar and Fatima Sediqzad - NAIC Staff

April 2020

**Status:**

On July 30, 2020, the Statutory Accounting Principles (E) Working Group moved this agenda item to the active listing, categorized as nonsubstantive, and exposed revisions to *Appendix D—Nonapplicable GAAP Pronouncements* to reject *ASU 2015-10, Technical Corrections & Improvements* as not applicable to statutory accounting.

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**The last column lists the status of the GAAP source literature for statutory accounting and the recommended action.**

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| --- | --- | --- | --- | --- |
| **Topic** | **ASC Reference** | **Abbreviated Summary of Change** | **Related Paragraphs** | **SAP Status/Recommendation** |
|  | 105-10-65-3 | Transition related to ASU 2015-10 | 5 | **This update is not applicable – no action required.** |
| Discontinued Operations | 205-20-45-1D | If the one-year requirement in paragraph 205-20-45-1E(d) is met, a business or nonprofit activity shall be classified as held for sale as a discontinued operation at the acquisition date if the other criteria in paragraph 205-20-45-1E (effectively ready and being marketed for sale) are probable of being met within a short period following the acquisition (usually within three months). | 6-7 | Guidance for discontinued operations is in SSAP No. 24 – in that discontinued operations shall be reported with the entity’s reporting of continuing operations.  **This update is not applicable – no action required.** |
| Statements of Cashflows | 230-10-45-20  255-10-55-2 | Updates the term *market value* to *fair value.*  Cash receipts and cash payments resulting from purchases and sales of other securities and other assets shall be classified as operating cash flows if those assets are acquired specifically for resale and are carried at fair value in a trading account. | 8-11 | Security classifications, trading, held to maturity, etc., are not utilized for statutory accounting purposes. However, SSAP Nos. 26R, 37, 43R, already reference fair value in lieu of market value.  **This update is not applicable – no action required.** |
| Personal Financial Statements | 274-10 | The example provided was an error and did not correctly illustrate the demonstrated disclosure. | 12-14 | **This update is not applicable – no action required.** |
| Receivables – Overall | 310-10-35  310-10-45 | 1. Heading changes to certain sections to ease of finding certain information 2. Removed additional explanatory language regarding impairment loss based on the fair value of collateral when a creditor determines foreclosure is probable. 3. Updates reference links to other applicable paragraphs | 15-21 | Bullets #1 and #3 are not applicable.  Bullet #2 is referenced in SSAP No. 37 – which contains language regarding the impairment measurement based on the fair value of collateral less costs to obtain and sell. The additional explanatory language, which the FASB deemed may confuse readers, was not included in the SSAP.  **This update is not applicable – no action required.** |
| Receivables – Nonrefundable Fees and Other Costs | 310-20-35  310-20-50 | Discusses the immediate expensing and related disclosures of certain origination costs associated with the issuance of a credit card that is not a private label credit card. | 22-24 | Private label credit cards are not addressed in statutory accounting.  **This update is not applicable – no action required.** |
| Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality | 310-30-35-10 | Sentence structure changes for ease of reading. The primary change was the location of the verbiage “based on current information,” when determining impairment of certain loans. | 25-26 | *SSAP No. 26R—Bonds* & *SSAP No. 37­—Mortgage Loans* most closely matches the topic covered. However existing language in the AP&P manual is deemed appropriate and does not warrant the change notated.  **This update is not applicable – no action required.** |
| Investments – Debt and Equity Securities | 320-10-15-7 | Sentence structure to clarify that equity securities accounted for under the cost method are excluded fair value reporting. | 27-28 | Update is not applicable – reporting of securities at an amortized cost of fair value is a function of NAIC designations *and* if the reporting entity maintains an asset valuation reserve.  **This update is not applicable – no action required.** |
| Readily Determinable Fair Value | Master Glossary Term | Updates to the master glossary that the definition of readily determinable fair value may be applied to investments in a mutual fund or in a similar structure if the fair value per share is determined and published and is the basis for current transactions. | 29-30 | Fair value is more broadly defined in SSAP No. 100R and in addition, fair value reporting of equity securities (including mutual funds) is already required in SSAP No. 30R.  **This update is not applicable – no action required.** |
| Recognition & Derecognition | 320-10-25-20 &  320-10-40-3 | Updates that state an investor shall account for two structured notes as a single until one is sold, at which time the notes shall be measured in the same way as a participating interest. | 31-32 | Update is not applicable – reporting of structured securities is defined in SSAP No. 43R, which utilizes NAIC designations *and* if the reporting entity maintains an asset valuation reserve for deterring the appropriate accounting and reported method.  **This update is not applicable – no action required.** |
| Investments—Other—Beneficial Interests | 325-40-55-1 | Update discusses the treatment for accretion yield should an other-than-temporary impairment occur. Original guidance stated the accretion yield should be revised to ‘market rate.” Updated guidance states the yield is not changes as a result of recognizing OTTI. However, the yield may be changed prospectively for non-credit related factors. | 33-34 | SSAP No. 43R details the treatment for accretion yield for beneficial interests after an OTTI has been recognized. AP&P guidance states an accretion adjustment shall be made for the remaining life of the beneficial interest – a position more conservative than in this ASU. As such, no changes are recommended.  **This update is not applicable – no action required.** |
| Liabilities—Extinguishment of Liabilities | 405-20-55-4 | Paragraph wording update, removing the language, “under the financial components approach,” which *may* have implied that an alternative approach was available when analyzing the liability extinguishment in certain in-substance defeasance transactions. | 35-36 | SSAP No. 103R does not contain such language. As such, the ambiguity of regarding an alternative approach for review for these types of transactions does not exist.  **This update is not applicable – no action required.** |
| Asset Retirement and Environmental Obligations | 410-30-35-7 | Removal of inconsequential wording, *“Remediation technology is changing constantly, and, in many cases, new technologies have resulted in modified costs for environmental remediation.”* | 37-38 | While remediation is notated in the AP&P manual, this specific verbiage was not included.  **This update is not applicable – no action required.** |
| Guarantees – Overall | 460-10-05-3 | Removal of references to subordination agreements. | 39-41 | Subordination agreements are excluded from the definition of indemnifications or guarantees in statutory accounting.  **This update is not applicable – no action required.** |
| Participating Mortgage Loans | 470-30-35-4  470-30-35-4A | The GAAP codification condensed the accounting practices for two different types of mortgage participations (those related to the results of the operations and those related to market value appreciation). | 42-44 | The accounting for loan-backed participating securities is not bifurcated depending on the type of participation. SSAP No. 43R defines the presentation, recognition, impairment, etc. for such activities.  **This update is not applicable – no action required.** |
| Receivables for Issuance of Equity | 505-10-45-2 | The update removes non-guidance commentary and adds reference to another authoritative paragraph stating that generally notes received for the issuance of equity typically require a deduction of the receivable from equity. | 45-46 | SSAP No. 72, paragraph 4 details that notes or other receivables for the issuance of stock which have been approved by the domiciliary commissioner and met other criterion, are considered admitted assets. If not met, the note receivable is nonadmitted.  **This update is not applicable – no action required.** |
| Revenue Recognition—Multiple Element Arrangements | 605-25-15-3A | The update includes references to additional paragraphs relevant to an entity’s determination of how to allocate arrangement consideration in accordance with the relative selling price method, from ASU 2009-13, Revenue Recognition: Multiple-Deliverable Revenue Arrangements. | 47-48 | Multiple-deliverable revenue arrangements are not applicable to statutory accounting.  **This update is not applicable – no action required.** |
| Compensation—Retirement Benefits—Defined Benefit Plans—Pensions | 715-30-55-63  715-80-50-5(e) | Removes an incorrect reference to nonpublic entities (instead of not-for-profit entities) and edits one sentence related to a NFP’s financial statement issuance | 49-51 | Specific guidance for NFP’s is not applicable for SSAP.  **This update is not applicable – no action required.** |
| Compensation—Stock Compensation—Employee Stock Ownership Plans | 718-40 | Correction of the definition of fair value in the glossary for topic 718-40 (Stock Compensation) to effectively replace “could be” with “would be” in the following: The price that could be received to sell an asset or paid to transfer a liability…”. Additional guidance is given related to a transition period for the update. | 52-56 | SSAP No. 104R details share-based payments and its definition of fair value does not contain the affected language in the ASU update.  **This update is not applicable – no action required.** |
| Other Presentation Matters | 718-740 | Corrects a reference in the applicable Subtopic regarding measuring actual tax deductions as a result of excess tax benefits. | 57-58 | **This update is not applicable – no action required.** |
| Income Taxes – Overall | 740-10 | Replaces the term “uncertain tax positions” with the broader term “uncertainty in income taxes.” Additional guidance is given regarding the scope to which entities the update applies. | 59-62 | Previous guidance regarding uncertain tax positions is still pending for statutory accounting.  **This update is not applicable – no action required.** |
| Income Taxes—Other | 740-30 | Eliminates the term subsidiary from the glossary of Subtopic 740-30. | 63-67 | Statutory accounting has a separate definition for the term subsidiary.  **This update is not applicable – no action required.** |
| Business Combinations—Overall | 805-10 | Moves a paragraph that is codified in the incorrect Subtopic to the correct Subtopic. | 68-69 | Previous guidance over an incomplete business combination has been rejected for statutory accounting.  **This update is not applicable – no action required.** |
| Business Combinations—Identifiable Assets and Liabilities, and Any Noncontrolling Interest | 805-20 | Amend a paragraph and add a paragraph with no link to a transition paragraph. | 70 | Relevant paragraphs refer to business combinations, which are accounted for differently under statutory accounting.  **This update is not applicable – no action required.** |
| Not-for-Profit Entities—Business Combinations | 958-805 | Updates a paragraph reference. | 71 | **This update is not applicable – no action required.** |
| Derivatives and Hedging—Overall | 815-10 | Replaces the word “available” with the word “obtainable” to make this paragraph consistent with terminology in Topic 860. | 72-73 | *SSAP No. 103R—Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* already utilizes the term obtainable.  **This update is not applicable – no action required.** |
| Derivatives and Hedging—Hedging—General | 815-20 | Changes an incorrect reference in paragraph 815-20-25-2, which currently references a paragraph that is not used in Codification. | 74-77 | **This update is not applicable – no action required.** |
| Derivatives and Hedging—Fair Value Hedges | 815-25 | Adds guidance on loans that are hedged items in a fair value hedge to the “recorded investment” definition. | 78-80 | Not a term in statutory accounting.  **This update is not applicable – no action required.** |
| Fair Value Measurement—Overall | 820-10 | Exemption to requirement to measure fair value in Topic 958 originated from an incorrect codification of the basis for conclusions in FASB Statement No. 116, Accounting for Contributions Received and Contributions Made. | 81-86 | **This update is not applicable – no action required.** |
| Transfers and Servicing—Overall | 860-10 | Adds a link to the Master Glossary definition of the term “attached call option” and the term “attached call” is updated to “attached call option.” | 87-92 | The minor (single word) definitional update is not substantially material, to justify adoption.  Exhibit A in SSAP No. 103R already appropriately references and defines an “Attached Call” as a “call option…”  **This update is not applicable – no action required.** |
| Transfers and Servicing—Sales of Financial Assets | 860-20 | Eliminates sentence that refers to initial measurement, which is covered in sections 815-10-30 and 860-20-30. | 93-94 | Removal of sentence is not necessary.  **This update is not applicable – no action required.** |
| Financial Services—Insurance—Acquisition Costs | 944-30 | Conforms terminology in Subtopic 944-30 with the revised criteria for deferred acquisition cost capitalization established by ASU 2010-26, Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts. | 95-96 | Capitalization of deferred acquisition costs is not a concept recognized by statutory accounting.  **This update is not applicable – no action required.** |
| Not-for-Profit Entities—Overall | 958-10 | Simplifies and provides a more relevant example for this guidance. | 97-98 | Specific guidance for NFP’s is not applicable for SSAP.  **This update is not applicable – no action required.** |
| Not-for-Profit Entities—Presentation of Financial Statements | 958-205 | Clarifies and illustrates the accounting for situations resulting in the expiration of donor-imposed restrictions. | 99-100 | Donor-imposed restrictions is not a concept recognized by statutory accounting.  **This update is not applicable – no action required.** |
| Not-for-Profit Entities—Master Glossary | 958 | Eliminates the term “agency transactions” and updates all links to the term “agency transaction” as they have the same definition. | 101-107 | **This update is not applicable – no action required.** |
| Not-for-Profit Entities—Revenue Recognition | 958-605 | Eliminates the link to one of two separate definitions of the term “control.” There cannot be two identical terms in the same Subtopic. | 108-110 | Statutory accounting uses an alternative definition for the term “control.”  **This update is not applicable – no action required.** |
| Not-for-Profit Entities—Consolidation | 958-810 | Clarifies that the economic interest must be in the controlled not-for-profit entity, instead of using the vague phrase “other such organizations.” | 111-112 | Statutory accounting uses an alternative definition for the term “control.”  **This update is not applicable – no action required.** |
| Amendments to SEC Materials |  |  | 113-118 | **This update is not applicable – no action required.** |
| Amendments to Status Sections |  |  | 119-164 | **This update is not applicable – no action required.** |